

*Senate Budget and Fiscal Review*  
SUBCOMMITTEE NO. 1 EDUCATION

Jack Scott, Chair  
John Vasconcellos  
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**INFORMATIONAL HEARING**

**Wednesday -- December 10, 2003  
10:00 a.m.**

**State Capitol -- Room 112**

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**I. Overview of the Governor's Proposed Mid-Year Reductions**

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## **I. CURRENT YEAR REDUCTIONS**

**BACKGROUND.** On November 18, 2003 Governor Schwarzenegger called the Legislature into extraordinary session to consider and act upon a variety of proposals related to state budget. Specifically, the Fifth Extraordinary Session is charged with the following:

Consider and act upon Legislation relative to placing a General Obligation bond on the March 2004 ballot to repay, restructure and finance California's budget deficit recovery;

To consider and act upon Legislation relative to placing a constitutional amendment on the March 2004 ballot to establish a limit on government spending, establish a reserve fund, and vest extraordinary powers in the Governor and the Director of Finance in times of fiscal emergency;

To consider and act upon legislation relative to funding the offset of the motor vehicle license fee from the General Fund.

As part of the Governor's overall fiscal recovery proposal, the Administration has submitted a variety of mid-year spending reductions for consideration and action by the Legislature.

Today's hearing is for informational purposes only (no votes will be taken) and will focus on the Governor's proposals and the ramifications of proposed reductions.

Item #	Administration Proposed CY Reductions	2003-04 (000's)		2004-05 (000's)		Staff Comments
		General	Other	General	Other	
		<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Funds</u>	
<b>6440</b>	<b><i>University of California</i></b>					
	- <i>Land sale at UC Riverside</i>	-55,000				Reduction was proposed by UC . This swap will save \$55 million in General Fund in the short term, but will result in increased General Fund debt service costs in out-years.
	- <i>Labor Studies</i> -- eliminate funding effective January 1, 2004	-2,000		-4,000		Unclear why this particular research institute is targeted for elimination. Budget-year savings of \$4 million makes it difficult to justify the elimination of the entire institute. Administration may wish to consider other options to achieve savings rather than eliminating an entire program.
	- <i>Unallocated Reduction</i>	-18,400		-55,100		Reduction equals 0.6 percent of General Fund budget in the current year; 1.8 percent in 2004-05. Administration is assuming that UC will elect to increase fees to compensate for loss of General Fund, but falls short of actually proposing or advocating mid-year student fee increases. Without a fee increase, UC will be forced to cut funding for student services, severely limit student enrollment, decrease course offerings, and/or lay-off staff or faculty.

**6610 California State University**

<i>-Unallocated Reduction</i>	-13,400	-26,900	Reduction equals 0.5 percent of General Fund budget in the current year; 1.1 percent in 2004-05. Administration is assuming that CSU will elect to increase fees to compensate for loss of General Fund, but falls short of actually proposing or advocating mid-year student fee increases. Without a fee increase, CSU will be forced to cut funding for student services, limit student enrollment, decrease course offering, and/or lay off faculty and staff.
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**6600 Hastings College of Law**

<i>-Unallocated Reduction</i>	-302	-603	Reduction equals 2.6 percent of General Fund budget in the current year and 5.3 percent in 2004-05. As with UC and CSU, the Administration is assuming that Hastings will raise student fees (mid-year) to compensate for the loss of funding. Without a fee increase, Hastings has very few places it can cut and still retain its cored legal curriculum. Areas to be targeted include, reductions to student services, reduce or eliminate subscriptions to scholarly journals, decrease library holdings, and/or eliminate moot court proceedings.
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**7980 California Student Aid Commission**

- Eliminate new APLE warrants effective  
January 1, 2004

Unclear why reduction is proposed, given that a decrease in awards does not result in monetary savings in either current year or budget year. Loans are not forgiven (and funds not paid) until student has earned teaching credential and taught for at least one year.

- CY Cal Grant savings -50,000

Current-year Cal Grant savings is expected due to over-estimation of number of awards and value of each award; staff needs further clarification on why \$50 million is the correct figure..

**6440 UC and CSU**  
**6610**

UC/CSU - Eliminate outreach funding effective  
January 1, 2004 -24,662 -85,323

Eliminates **all** General Fund monies for student outreach in 2004-05. In current year, CSU's outreach budget would be reduced by \$12.4 million; UC's outreach budget would be reduced by \$12.2 million. In both cases, UC and CSU will determine how those reductions would be allocated amongst various outreach programs, but cuts will likely result in the laying off of outreach program counselors and substantially limiting the number and population of students who can participate in the programs. Long-term: eliminating funding for these programs could shut out an entire generation of underrepresented students from reaping the benefits of higher education.

